

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

NOTICE OF AGENCY ACTION FOR AN ORDER REQUIRING HINTO ENERGY, INC. TO PLUG AND RECLAIM WELLS OR, IN THE ALTERNATIVE, FORFEITING SURETY BONDS AND AUTHORIZING THE DIVISION TO PLUG AND RECLAIM WELLS LOCATED IN SECTIONS 14 AND 24, TOWNSHIP 21 SOUTH, RANGE 23 EAST IN GRAND COUNTY, UTAH

NOTICE OF HEARING

Docket No. 2016-005
Cause No. 222-16

THE STATE OF UTAH TO ALL PERSONS INTERESTED IN THE FOLLOWING MATTER.

Notice is hereby given that the Board of Oil, Gas and Mining ("Board"), State of Utah, will conduct a hearing on WEDNESDAY, FEBRUARY 24, 2016, at 9:00 AM, or as soon thereafter as possible, in the auditorium of the Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah. The hearing will be streamed live on the Department of Natural Resources YouTube channel at <https://youtu.be/bVvvvz-2Fmo>.

The hearing will be conducted as a formal administrative adjudication in accordance with the rules of the Board as set forth in Utah Administrative Code R641 et seq., and as provided for in Utah Code Ann. § 40-6-1 et seq., and Utah Code Ann. § 63G-4-101 through 601.

The purpose of the hearing will be for the Board to receive testimony and evidence regarding a Notice of Agency Action that the Board take the following actions:

1. Order Hinto Energy, Inc. ("Hinto") and/or Vectra Bank of Colorado ("Vectra Bank") to commence plugging and restoration of the Sweetheart 7 well, located in Section 24 of

Township 21 South, Range 23 East; the 14-01 well, located in Section 14 of Township 21 South, Range 23 East; and the Little Boy 2 well, located in Section 24 of Township 21 South, Range 23 East, (the “Extended Shut-In Wells”) in accordance with the Division’s requirements and the requirements of Utah Administrative Code Rule 649-3-24 within 30 days of this Order, and if Hinto or Vectra Bank fails to commence plugging and restoration work within 30 days,

a. Order Hinto’s interest in and ownership of the certificates of deposit (“CDs”) for the Extended Shut-In Wells—amounting to \$16,000—be forfeit to the Division and order Vectra Bank to deliver the full amount to the Division;

b. Order the Division to use the forfeited funds to complete the plugging and restoration of the wells to which each bond applies;

c. If the forfeited funds are insufficient to cover the full cost of plugging and restoring the Extended Shut-In Wells, authorize the Division to complete plugging and restoration and bring all appropriate and necessary legal actions to recover any costs in excess of the forfeited amount from Hinto;

2. Order Hinto to provide complete information as required by Rule 649-3-36 for the Sweetheart 5A well, located in Section 24 of Township 21 South, Range 23 East; the Sweetheart 2A well, located in Section 24 of Township 21 South, Range 23 East; and the Sweetheart 14-02 well, located in Section 14 of Township 21 South, Range 23 East, (the “Shut-In Wells”) and to provide full cost bonding in the amount of actual plugging and site restoration costs for the Shut-In Wells within 30 days of this Order, and if Hinto fails to provide complete information and full cost bonding within 30 days,

a. Find that the appropriate remedial action under Rule 649-3-36.2 is plugging and restoring the Shut-In Wells, and order Hinto to commence plugging and restoration work within 30 days, and if Hinto fails to do so,

i. Order Hinto's interest in and ownership of the CDs for the Shut-In Wells—amounting to \$20,000—be forfeit to the Division and order Vectra Bank to deliver the full amount to the Division;

ii. Order the Division to use the forfeited funds to complete the plugging and restoration of the wells to which each bond applies;

iii. If the forfeited funds are insufficient to cover the full cost of plugging and restoring the Shut-In Wells, authorize the Division to complete plugging and restoration and bring all appropriate and necessary legal actions to recover any costs in excess of the forfeited amount from Hinto;

3. Order Hinto to provide the Division with complete information on well integrity and production for the Nuggett 14-4 well, located in Section 14 of Township 21 South, Range 23 East; and the Gibraltar 1 well, located in Section 24 of Township 21 South, Range 23 East, (the "Remaining Wells"), and if Hinto fails to offer complete information as required by Rules 649-3-36 and/or 649-8-11 within 30 days of this Order,

a. Find that the appropriate remedial action is to plug and restore the Remaining Wells, and order Hinto to commence plugging and restoration work within 30 days, and if Hinto fails to do so,

i. Order Hinto's interest in and ownership of the CDs for the Remaining Wells—amounting to \$16,500—be forfeit to the Division and order Vectra Bank to deliver the full amount to the Division;

ii. Order the Division to use the forfeited funds to complete the plugging and restoration of the wells to which each bond applies;

iii. If the forfeited funds are insufficient to cover the full cost of plugging and restoring the Remaining Wells, authorize the Division to complete plugging and restoration and bring all appropriate and necessary legal actions to recover any costs in excess of the forfeited amount from Hinto;

4. Find that Hinto has violated the Rules with respect to the Extended Shut-In Wells, the Shut-In Wells, and the Remaining Wells, and authorize the Division to seek penalties in district court of up to \$5,000 per day of continuing violation in an amount the Board deems appropriate; and

5. Grant such other and further relief as may be just and equitable under the circumstances.

Objections to the Notice of Agency Action must be filed with the Secretary of the Board at the address listed below no later than February 10, 2016. A party must file a timely written objection or other response in order to participate as a party at the Board hearing. Failure to participate can result in a default judgment.

Natural persons may appear and represent themselves before the Board. All other representation of parties before the Board will be by attorneys licensed to practice law in the


State of Utah, or attorneys licensed to practice law in another jurisdiction which meet the rules of the Utah State Bar for practicing law before the Utah Courts.

Persons interested in this matter may participate pursuant to the procedural rules of the Board. The Notice of Agency Action, and any subsequent pleadings, may be inspected at the office of the undersigned, and inspected online at the Utah Board of Oil, Gas and Mining's website at <http://ogm.utah.gov/amr/boardtemp/redesign/books.html>.

Pursuant to the Americans with Disabilities Act, persons requiring auxiliary communicative aids and services to enable them to participate in this hearing should call Julie Ann Carter at (801) 538-5277, at least three working days prior to the hearing date.

DATED this 26th day of January, 2016.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING
Ruland J. Gill, Jr., Chairman



/s/ Julie Ann Carter
Board Secretary
1594 West North Temple, Suite 1210
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CERTIFICATE OF PUBLISHED NOTICE

I hereby certify that I caused a true and correct copy of the foregoing NOTICE OF HEARING for Docket No. 2016-002 Cause No. 166-07 to be PUBLISHED in the following newspapers on the following days:

February 7, 2016:

The Salt Lake Tribune and Deseret Morning News, newspapers of general circulation in Salt Lake City and County.

February 3, 2016:

Times-Independent, a newspaper of general circulation in Emery, Grand, and San Juan Counties.



CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of January, 2016, I caused a true and correct copy of the foregoing **NOTICE OF HEARING** for Docket No. 2016-005, Cause No. 222-16, to be mailed by Email or via First Class Mail with postage prepaid, to the following:

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